

Message Text

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ACTION EB-07

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TO SECSTATE WASHDC 7122

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E.O. 11652: N/A

TAGS: ETRD, TW

SUBJECT: TEXTILE FRAUD UNCOVERED

REF: STATE 216817

1. TAIPEI NEWSPAPERS ANNOUNCED SEPTEMBER 19 THAT THE BUREAU OF INVESTIGATION OF THE MINISTRY OF JUSTICE HAD UNCOVERED A RING OF COUNTERFEITERS WHO HAVE SINCE JANUARY 1975 ILLEGALLY EXPORTED TO US OVER ONE MILLION DOZEN CATEGORY 219 ARTICLES BY MEANS OF BOGUS EXPORT PERMITS AND SIGNATURE SEALS. NINE SUSPECTS HAVE BEEN ARRESTED AND A LARGE NUMBER OF FALSE PERMITS AND SEALS HAVE BEEN CONFISCATED.

2. AT LUNCH SEPTEMBER 22 WITH ECON COUNS AND COMMATT, Y.T. WANG (WANG I-TING), DIRECTOR OF BOARD OF FOREIGN TRADE (BOFT), EXPLAINED THAT INVESTIGATION HAD BEEN INITIATED AT HIS REQUEST IN JULY 1975. IN COMPARING VOLUME OF EXPORTS IN CATEGORY 219 BASED ON BOFT EXPORT PERMITS WITH VOLUME OF IMPORTS UNTO US BASED ON US CUSTOMS DATA HE NOTICED EXCEPTION-ALLY LARGE DISCREPANCY. BOFT POLICY IS TO TRY TO SPREAD OUT EXPORTS OVER 12-MONTH PERIOD IN ORDER THAT ENTIRE QUOTA WILL NOT BE FILLED TOO EARLY IN YEAR. IN CASE OF CATEGORY 219, BOFT DATA FOR JANUARY - JULY INDICATED THAT QUOTA WOULD PROBABLY BE FILLED BY NOVEMBER. HOWEVER, US CUSTOMS DATA

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FOR JANUARY - JULY INDICATED THAT QUOTA WOULD BE FILLED BY

SEPTEMBER IF IMPORTS IN AUGUST AND SEPTEMBER WERE MAINTAINED AT SAME RATE AS IN FIRST SEVEN MONTHS OF 1975.

3. WANG INDICATED THAT THE ROC EMBASSY IN WASHINGTON HAS BEEN INFORMED OF THE INVESTIGATION AND IT HAS BEEN INSTRUCTED TO NOTIFY STATE AND COMMERCE. A FULL REPORT WILL BE TRANSMITTED SHORTLY VIA ROC EMBASSY, WASHINGTON.

4. WANG'S CONCERN IS THE EFFECT THE BOGUS SHIPMENTS WILL HAVE ON THE QUOTA FOR CATEGORY 219. OBVIOUSLY, IF THE MORE THAN ONE MILLION DOZEN ARTICLES EXPORTED FRAUDULENTLY ARE COUNTED AGAINST THE QUOTA, THE QUOTA WILL BE FILLED SOONER THAN ANTICIPATED AND ARTICLES SHIPPED BY LEGITIMATE AND INNOCENT EXPORTERS WILL BE EMBARGOED BY US AUTHORITIES. FOR THIS REASON, THE GROC WILL REQUEST A ONE-TIME EX-QUOTA INCREASE IN CATEGORY 219 EQUAL TO THE NUMBER OF DOZENS EXPORTED FRAUDULENTLY. AS JUSTIFICATION FOR THE REQUEST, WANG COMMENTED THAT THE GROC DISCOVERED THE FRAUD, GOT TO THE BOTTOM OF IT PROMPTLY AND THE PERPETRATORS WILL BE SEVERELY PUNISHED. THE BOFT ALSO WILL TAKE APPROPRIATE MEASURES TO ENSURE THAT FRAUD DOES NOT OCUR AGAIN.

5. EMBOFFS DID NOT COMMENT TO WANG ON RECEPTIVITY USG TO GROC REQUEST. IT SHOULD BE NOTED, HOWEVER, THAT THERE IS NO EVIDENCE THAT GROC OFFICIALS KNEW OF OR WERE INVOLVED IN CONSPIRACY TO DEFRAUD. IF REQUEST IS DENIED OR IF DECISION IS MADE TO INSIST THAT GROC SUBTRACT FRAUD SHIPMENTS FROM CATEGORY 219 QUOTA IN FUTURE YEAR OR YEARS, ROC EXPORTERS WHO ARE INNOCENT OF WRONGDOING WILL BE UNFAIRLY PENALIZED, AS WILL BE US IMPORTEERS WHO HAVE CONTRACTUAL ARRANGEMENTS WITH LEGITIMATE ROC EXPORTERS.

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